

Fair Political Practices Commission

Memorandum

To: Chairman Johnson, Commissioners Hodson, Huguenin, Leidigh, & Remy

From: Sukhi Brar, Commission Counsel
John W. Wallace, Assistant General Counsel
Scott Hallabrin, General Counsel

Subject: Adoption of Amendments to Regulation 18545 - Cost of Living Adjustment for Campaign Contribution Limits, Voluntary Expenditure Ceilings and Officeholder Contribution and Aggregate Contribution Limits.

Date: October 2, 2008

Proposed Commission Action and Staff Recommendation: Adopt the proposed amendments to Regulation 18545.

A. Background. Proposition 34 amended the Act to create contribution limits and voluntary expenditure ceilings for state candidates (Government Code Sections 85301, 85302, 85303, and 85400). Section 83124, added by Proposition 34, requires the Commission to adjust the contribution limits and voluntary expenditure ceilings biennially to reflect changes in the Consumer Price Index (“CPI”). In August 2002, the Commission adopted Regulation 18544, which created the following formula for the cost of living adjustment of the contribution limits and voluntary expenditure ceilings.

Applicable Limit 2001	$\times \frac{226.3 \text{ (average 2008 CPI)*}}{174.8 \text{ (CPI from 2000)}}$	=	2009 limit**
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*The California Department of Finance provides the CPI calendar year average for California urban consumers. The DOF Planning Estimate September Forecast for 2008 indicates the California CPI for all urban consumers is 226.3. If this figure changes when the final number for the entire year of 2008 is released to such an extent that the limits change, we will need to update the amount.

**Rounded to nearest \$100 for contributions limits; to nearest \$1,000 for expenditure ceilings.

In 2006 Senate Bill 145 took effect as urgency legislation. SB 145 (Stats. 2006, Ch. 624, urgency) amended the “net debt” provision (Section 85316) of the Political Reform Act (the “Act”). The net debt provision prohibits post-election fundraising for any purpose other than to pay net debt. SB 145 allows the establishment of a separate officeholder account for officeholder expenses. Additionally, SB 145 requires that:

- Contributors and elected state officers are subject to calendar year contribution limits.
- Elected state officers are subject to aggregate contribution limits on a calendar year basis.

- The contribution limitations will be adjusted in January of every odd-numbered year to reflect any increase or decrease in the Consumer Price Index (rounded to the nearest \$100).

In 2006, the Commission amended Regulation 18544 to create the following formula for the cost of living adjustment of the contribution limits and aggregate limits applicable to officeholder accounts.

Applicable Limit 2007	$\times \frac{226.3 \text{ (average 2008 CPI)*}}{210.5 \text{ (CPI from 2006)}}$	=	2009 limit**
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*The California Department of Finance provides the CPI calendar year average for California urban consumers. The DOF Planning Estimate September Forecast for 2008 indicates the California CPI for all urban consumers is 226.3. If this figure changes when the final number for the entire year of 2008 is released to such an extent that the limits change, we will need to update the amount.

**Rounded to nearest \$100.

Regulation 18545 actually provides the current year limits and is being amended with the approval of this item. Using this formula, the new limits to be inserted into Regulation 18545 are:

Campaign Contribution Limits	2001 Amount	Existing Amount	Adjusted Amount
Assembly, Senate, CalPERS	\$3,000	\$3,600	<i>\$3,900</i>
Statewide, other than Governor	\$5,000	\$6,000	<i>\$6,500</i>
Governor	\$20,000	\$24,100	<i>\$25,900</i>

Small Contributor Limits	2001 Amount	Existing Amount	Adjusted Amount
Assembly, Senate, CalPERS	\$6,000	\$7,200	<i>\$7,800</i>
Statewide, other than Governor	\$10,000	\$12,100	<i>\$12,900</i>
Governor	\$20,000	\$24,100	<i>\$25,900</i>
Section 85303(a)	\$5,000	\$6,000	<i>\$6,500</i>
Section 85303(b)	\$25,000	\$30,200	<i>\$32,400</i>

Volunteer Expenditure Ceilings	2001 Amount	Existing Amount	Adjusted Amount
Assembly, Primary	\$400,000	\$483,000	<i>\$518,000</i>
Assembly, General	\$700,000	\$845,000	<i>\$906,000</i>
Senate, Primary	\$600,000	\$724,000	<i>\$777,000</i>
Senate, General	\$900,000	\$1,086,000	<i>\$1,165,000</i>
Board of Equalization, Primary	\$1,000,000	\$1,207,000	<i>\$1,295,000</i>
Board of Equalization, General	\$1,500,000	\$1,811,000	<i>\$1,942,000</i>
Other Statewide, Primary	\$4,000,000	\$4,828,000	<i>\$5,178,000</i>
Other Statewide, General	\$6,000,000	\$7,243,000	<i>\$7,768,000</i>
Governor, Primary	\$6,000,000	\$7,243,000	<i>\$7,768,000</i>
Governor, General	\$10,000,000	\$12,071,000	<i>\$12,946,000</i>

Officeholder Contribution Limits	2007 Amount	Adjusted Amount
Assembly, Senate	\$3,000	<i>\$3,200</i>
Statewide, other than Governor	\$5,000	<i>\$5,400</i>
Governor	\$20,000	<i>\$21,500</i>

Aggregate Officeholder Contribution Limits	2007 Amount	Adjusted Amount
Assembly, Senate	\$50,000	<i>\$53,800</i>
Statewide, other than Governor	\$100,000	<i>\$107,500</i>
Governor	\$200,000	<i>\$215,000</i>

B. Effective Dates of Adjusted Contribution Limits and Voluntary Expenditure Ceilings. Pursuant to language in subdivisions (a)(1) and (a)(2) of Regulation 18545, the adjusted contribution limit amounts and adjusted voluntary expenditure ceilings will apply to all state elections taking place during the two-year period from January 1, 2009, to December 31, 2010. For example, the newly adjusted contribution limit would apply to a special Assembly election occurring in February of 2009, even if the fundraising started during the last months of 2008. Similarly, the current limit will apply for Assembly candidates who raise funds after January 1, 2009, to pay down debts from the 2008 election. This method of calculation was approved by the Commission at the August 9, 2002, Commission meeting and as discussed in the memorandum, *Proposition*

34 Regulations: Adoption of Proposed Regulation 18544, Formula for Campaign Contributions and Voluntary Expenditure Limits COLA (July 29, 2002).

Subdivision (d) of Regulation 18545 requires that the adjusted contribution limit amounts and the adjusted voluntary expenditure ceilings continue to be applied to all state elections held after December 31, 2010, until those limits are adjusted by the Commission to reflect changes in the Consumer Price Index. For elections held after December 31, 2010, if the campaign/expenditure amounts are adjusted upward, then the state candidate would be permitted to raise additional funds in the amount of the difference between the lower initial amount allowed and the new higher amount allowed. If the amounts are adjusted downward, then the state candidate would not be in violation of the new lower limits or need to return excess contributions received prior to the effective date of the newly adjusted lower limits and ceilings.

Attachment: Regulation 18545